

**BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001**

**MAIL PROCESSING NETWORK RATIONALIZATION  
SERVICE CHANGES, 2011**

**DOCKET No. N2012-1**

**SUPPLEMENTAL TESTIMONY OF  
  
FRANK NERI  
  
ON BEHALF OF THE  
  
UNITED STATES POSTAL SERVICE  
  
(USPS-ST-5)**

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1                                   **PURPOSE OF SUPPLEMENTAL TESTIMONY**

2    The purpose of this supplemental testimony is to address the extent to which the  
3    operational consolidation decisions announced on February 23, 2012 impact my  
4    direct testimony (USPS-T-4), which was entered into evidence at page 1863 of  
5    Tr. Vol. 5 (March 23, 2012). My supplemental testimony incorporates my direct  
6    testimony by reference and presents updated In-Plant Support and  
7    Workload Outgoing Secondary Sorting Workload Reduction estimates based on  
8    the February 23rd network concept as inputs, respectively, to the supplemental  
9    testimonies of witnesses Michael Bradley (USPS-ST-4) and Marc Smith (USPS-  
10   T-3).

11

1     **I.       In-Plant Support Change**

2             In my direct testimony, USPS-T-4, I identified In-Plant Support savings for  
3     sites becoming inactive in the realigned network. I estimated that the December  
4     5th network concept would lead to 29.65 percent reduction in In-Plant Support  
5     positions. USPS-T-4 at 30-31. Because the February 23rd network concept  
6     includes fewer inactive sites, I have updated my original In-Plant Support staffing  
7     estimate. The updated analysis shows a 21.51 percent reduction in In-Plant  
8     Support staffing.

10    **II.     Outgoing Secondary Sorting Workload Reduction**

11            In USPS-T-4 at 17-18, I testified that under the December 5th network  
12    concept, there would be a reduction in Outgoing Secondary sorting. Specifically I  
13    indicated that the smaller number of facilities in the proposed network meant that  
14    there would be no need for Outgoing Secondary sorting for letters and that there  
15    would be a significant reduction in the amount of Outgoing Secondary sorting for  
16    flats. However, the February 23rd network concept reflects less consolidation  
17    than was assumed in December, with the result that additional facilities remain in  
18    the network. This removes some of the opportunity to reduce Outgoing  
19    Secondary sorting, particularly for flats.

20            For letters, the February 23<sup>rd</sup> network still has less than 150 Letter  
21    Incoming Primary sites. The less than 150 Incoming Primary processing sites, in  
22    conjunction with the plan to use DBCS with a greater number of separations than  
23    this, for outgoing sorting, still allows for the opportunity to eliminate Outgoing

1 Secondary sortation of letters. In addition, the proposed service standards  
2 reduce the need to utilize the Outgoing Primary operation to make 5-digit  
3 separations for local or turnaround mail, and thus it is still reasonable to expect  
4 that generally letter mail would not need Outgoing Secondary sorting.

5 In the case of flats, AFSM 100s make only 100 separations. As a result,  
6 the larger number of facilities in the February 23<sup>rd</sup> network will limit the extent of  
7 reductions in Outgoing Secondary sorting, so the 676,161 (=1,170,524-494,363)  
8 reduction in average daily Outgoing Secondary sorting for flats in USPS-T-4 at  
9 page 18 would not be applicable.

### 11 **III. No Change In Productivity Improvement Estimates**

12 My direct testimony (USPS-T-4) included estimates of productivity gains  
13 expected to be realized in the future mail processing network. In pages 29-30 of  
14 USPS-T-4, I supplied a list of operations and expected productivity improvements  
15 based on the December 5 network concept. The productivity increases for most  
16 of these operations were based on the expanded operating window for non-allied  
17 operations. The productivity increases for some of the operations identified  
18 (allied functions) are also dependent on the number of plant consolidations. Less  
19 gain in productivity would be expected for those operations given the operational  
20 consolidation decisions announced on February 23, 2012. But as I stated in my  
21 testimony,<sup>1</sup> I took a very conservative approach to estimating the achievable  
22 productivity gains based on my experience and the knowledge of the

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<sup>1</sup> For example, I explain my conservative approach on Transcript 5, page 2043, lines 11-25.

1 consolidation modeling process. My approach also reflects the uncertainty  
2 regarding the specific facility consolidation decisions pending at that time. Under  
3 the revised network, the majority of the identified operations will still benefit from  
4 the expanded operating window and reduced network size. Thus, even with  
5 fewer consolidated sites, the productivity gains are within my original estimates.

6 In conclusion, even with approximately 30 more sites remaining in  
7 operation than was assumed on December 5th, my conservative productivity  
8 gain estimates (USPS-T-4 at 29-30) represent reasonable expectations for the  
9 February 23rd network concept. The larger number of remaining facilities  
10 (comparing December 5th to February 23rd) does not cause me to update the  
11 productivity estimates in USPS-T-4 that served as inputs to the cost savings  
12 analysis of witnesses Smith (USPS-T-9) and Bradley (USPS-T-10).